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C O N F I D E N T I A L SECTION 01 OF 04 YEREVAN 000556

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [MOPS](#) [KDEM](#) [TU](#) [AM](#)
SUBJECT: UPBEAT PRESIDENT SARGSIAN TALKS SUBSTANCE DURING
CEREMONIAL CALL ON EMBASSY

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Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

¶1. (C) SUMMARY: President Sargsian used a ceremonial visit July 3rd in honor of U.S. Independence Day to engage with CDA on democratic reform progress, the Millennium Challenge program, relations with Turkey and Azerbaijan, and military cooperation (Armenian troops in Kosovo, Afghanistan, and Iraq). The President seemed determined to set U.S. relations on a positive footing, and make overtures to the embassy on democracy issues and MCC. Both sides expressed hope that our relationship would be further strengthened by a prompt confirmation and arrival of Ambassador-designate Yovanovitch.
END SUMMARY

¶2. (C) THE PRESIDENT PAYS A CALL: Continuing a tradition established by his predecessor, President Serzh Sargsian preferred to pay a call on Charge d'Affaires at the U.S. Embassy July 3 in honor of our Independence Day reception, in lieu of appearing at the official reception later that evening. The president was all smiles -- relaxed, expansive, gregarious -- and seemed determined to use the opportunity to re-cast his relationship with the Embassy in a more positive mold. This was a marked change from several earlier interactions, in which he had tetchily conveyed his pique over the lack of a congratulatory message from President Bush and his general dissatisfaction that the U.S. had not been squarely in his corner during the recent political unrest. Presidential protocol had first told us the president would spend no more than 20 minutes at the embassy, then called back to say the visit would last 30 minutes, then 40 minutes -- in the event, the president stayed just over an hour from start to finish. As a final interesting aside, Protocol had asked us what we intended to serve for the 11:00am meeting; we were made to understand that the only acceptable beverage offering would be a good scotch, of which the president happily downed two.

ON DEMOCRACY, MCC, AND U.S. ASSISTANCE

¶3. (C) Sargsian opened with expansive thanks and praise for U.S. assistance to Armenia over the years since independence -- remarking that it all added up to about USD 1.8 billion in U.S. aid over that time period. He also credited the U.S. for playing a significant role in helping Armenia secure many millions of additional dollars in aid from the major international financial institutions. He warmly lauded "constructive" bilateral cooperation in the fields of "economy, military, and even democracy." He said that all of this was "very important, particularly at this moment." It is "very important now with our mutual agenda to advance

democracy." He continued: "we see problems, real problems, the solution of which will make Armenia stronger. We need to make people's lives better." The president commented that there were various legitimate styles of leadership, but his style was not to make a lot of noise about proposed reforms, but simply go quietly and steadily to work and show results. He opined that trumpeting the government's reform plans too loudly would simply entrench bureaucratic resistance. CDA echoed the president's desire to strengthen and broaden bilateral relations, and said the U.S. wants President Sargsian's government to be successful.

14. (C) Sargsian affirmed his unshakeable commitment to "reforms in the field of democracy" but said "not always in ways you will agree with." He remarked "Your intentions are very positive, and you expect quick results." He reminded that Armenia is only 16 years into its independence, and real reform must take time, constructed carefully so as to be irreversible. "Sustainability is the key factor." He noted "it is extremely difficult in 16 years to match the democratic achievements of countries that are 232 years old, or 150 years old. But I am very committed, and implementation of these reforms will not be protracted." CDA replied that the United States is paying close attention to Armenia's democratic progress, and we have detected some positive indicators of change. He assured the president that we will always be ready to support genuine reform initiatives. He acknowledged that the United States, too, has grappled -- sometimes over many years -- to overcome problems in our democracy, citing the U.S. civil rights movement as an example. CDA stressed that most important is for the trend lines consistently to move in the right direction, toward greater democracy. CDA noted that DRL A/S Kramer had covered in great detail the issues of most concern

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to the U.S. in Armenian democracy, and these are the areas in which we hoped to see concerted progress from the GOAM. But he assured that "we are not unrealistic." Taking small exception to some of DRL A/S Kramer's remarks, Sargsian urged the U.S. not to set too high a threshold for Armenia's pace of democratic change. Sargsian acknowledged that many Armenians were "dissatisfied" with political developments earlier this year. He affirmed, however, his commitment to constructively engage with former President Levon Ter-Petrossian (LTP) and his supporters, to bridge the political divides.

15. (C) The president next made an appeal for continuation of the Millennium Challenge Compact program. He commented that it was his belief that "this building" would have a significant say in the MCC decision, and he hoped for embassy support for Armenia's MCC program. Noting he had been "very sincere" in his earlier telephone conversation with MCC CEO Danilovich, Sargsian urged the U.S. to allow the Armenian Government to provide interim/stop-gap funding to the MCC roads project, to avoid implementation delays and rising costs. He noted that the road projects planned under the MCC aegis were among Armenia's highest infrastructure priorities -- projects that need to go forward one way or another for Armenia's long-term economic progress. He said that if MCC funding is not going to continue, he asked that the U.S. Government notify him of this fact as early as possible, so his government can begin making alternate plans. More generally, he urged that the pros and cons of MCC program suspension in Armenia must be carefully considered, asking rhetorically whether cancelling the MCC program will help make Armenia more democratic.

16. (C) Drawing on the latest indications and guidance received from Washington, CDA said he thought it likely that Washington would accede to Armenia's request to provide its own "bridge" funding to keep the roads package on schedule, while the U.S. continues to deliberate on the future of the program. The CDA noted his understanding that there would probably be no U.S. (MCC) reimbursement for funds that the

GOAM might choose to spend, but rather that -- if and when the MCC roads funding is resumed -- the project would simply pick up where GOAM funding had left off. President Sargsian said that "the money we spend can be our contribution to the program," and he observed that increased construction costs had already made it unfeasible for the MCC Compact to complete all of the road network originally planned. Thus, the Armenian Government's financial contribution to the program would only help expand the network further toward achieving the original plan. CDA agreed, and remarked that no one wants to "punish" Armenia by taking away MCC, but there is a serious issue of the credibility of the MCC program -- not only in Armenia but with global implications, which necessitates that standards be enforced. The CDA said that the MCC Board had met in June and discussed Armenia, but had decided to postpone any serious decision about Armenian eligibility until the September meeting. This decision was made specifically to give the new administration more time to prove itself and to remediate the democratic problems.

ON TURKEY AND AZERBAIJAN (NK/OT)

17. (C) CDA warmly praised Sargsian for his recent invitation to Turkish President Gul to come to Yerevan to watch the September World Cup football (soccer) qualifying match between Turkey and Armenia. CDA reminded of long-standing U.S. efforts to promote reconciliation between the two countries, and lauded Sargsian's gesture as an act of courageous leadership, which may prove very constructive in changing the dynamics of the Armenia-Turkey relationship. He said the U.S. would work with Turkey to promote a positive response. President Sargsian affirmed that normalizing relations between Turkey and Armenia is of great importance to Armenia's further economic and even democratic development, and is a priority for him. He said that he personally had never questioned the facts of the "genocide," remarking that there had been three million Armenians in Anatolia previously and only 70,000 afterward, but said that this historical fact should not be an obstacle to establishing normal relations with Turkey. He said "If Turks want to discuss the genocide history, let's discuss it. If they want to dispute it, let's dispute about it. If they think they can prove something to us about the historical facts, 'please...' (we are ready to hear their arguments).

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But we must have these discussions under the rubric of a 'normal' relationship." (COMMENT: In other words, Turkey should not refuse normal diplomatic and trade relations until after the contentious historical issues are settled. END COMMENT) Sargsian said the most important thing for him was to have an interlocutor who shows good faith in these kinds of discussions. He complained that previously Turkey has not shown good faith in approaching these issues, but behaved duplicitously. He said Turkey's past strategy had been to call for an historical commission which it could draw out indefinitely -- all the while withholding normal relations and keeping the border sealed -- and which it could then use as a cover to proclaim to the world that it was engaged in an active dialogue with Armenia. Sargsian said "for us the key point is to normalize economic relations, which would be profitable for Armenia and profitable for Turkey." He commented that both countries could benefit greatly from combined electricity infrastructure, for example, and that Turkey need not waste money on an expensive new Kars-Tbilisi-Baku railroad line when there is an existing line through Armenia that need only be reactivated. Sargsian concluded by declaring "I am ready to have real conversations and normal relations with Turkey. If Turkey is also ready for that, great. If not, let the world see it is they that are holding back."

18. (C) Segueing smoothly from the above comment, Sargsian said "almost the same goes for Azerbaijan." He reported he

had had a good conversation with President Aliyev in St. Petersburg, and Aliyev is "fine" for him as a negotiating partner on Nagorno-Karabakh. Sargsian said that Azerbaijani comments on the Madrid Document had been "completely unacceptable." In fact, had Sargsian known before St. Petersburg about all the comments that Azerbaijanis had previously made since January, he might have declined to meet Aliyev in St. Petersburg. Sargsian said he had asked, through the Minsk Group Co-Chairs, if Azerbaijan stood by its negative remarks. Word had come back to Sargsian from the Co-Chairs that those Azerbaijani comments were "null and void," and so Armenia was prepared to continue negotiations.

Sargsian declared "I'm ready for a 'normal' solution. If my counterpart is ready and does not intend to have more than is possible from negotiations, then I am ready to reach a solution. The rights of Armenian self-determination cannot be in dispute" he declared, finally. CDA thanked Sargsian for his "practical approach" to both Turkey and Azerbaijan.

ON MILITARY COOPERATION, IRAQ, KOSOVO, AND AFGHANISTAN

¶9. (C) CDA thanked and praised Armenia for its commitment to international peacekeeping missions in Iraq and Kosovo. He commended the president for Armenia's recent doubling of its troop contingent in Kosovo, and its continuing commitment to Iraq, while also exploring opportunities to contribute to NATO's ISAF mission in Afghanistan. CDA remarked on the very successful recent video teleconference between Yerevan and Kosovo, which had allowed deployed soldiers' family members in Yerevan to see and speak with their loved ones in Kosovo. The CDA commented that this had shown both Armenia and the United States at their best, had played well in Armenian media, and reminded of common values uniting our countries. Sargsian agreed. He affirmed that he has directed his NATO ambassador in Brussels to work with NATO on how Armenia might effectively deploy medical and/or engineering officers to support the mission in Afghanistan.

COMMENT

¶10. (C) This visit, combined with other signs, suggests a charm offensive from President Sargsian aimed at restoring friendly relations with the Embassy and the U.S. Government generally. All indications suggest that in the weeks immediately after the March 1 crisis, Sargsian had reacted negatively and emotionally to U.S. criticisms of Armenia's heavy-handed, anti-democratic tactics, having taken these criticisms very personally. We sense in Sargsian's new manner a desire to "get over" that sour taste and re-launch his administration's U.S. relationship, which he understands is important to Armenia. There were distinct notes of pragmatism, good will, and even a touch of flattery in Sargsian's presentation. This may also reflect diminished anxiety on the president's part about the risk that the

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opposition might actually succeed in unseating him. The vibes we are getting from a variety of government sources suggest an increasing level of comfort that authorities have the political situation under control. Although that is probably a correct assessment for the time-being, on July 4th LTP signalled a new phase of opposition activism, and it remains to be seen if his attempt to ratchet up pressure will have an effect. Our challenge will be to build on the new, more constructive tone in order to develop our relationship with the President, while at the same time continuing our push for serious internal reform.

PENNINGTON